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SUBJECT: CASH CONTROL AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a cash controls audit of the San Bernardino County Regional Park. Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

Background

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor/Controller-Recorder (ACR) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash shortage funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash shortage funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ACR Internal Audits Section performs surprise cash counts of these cash funds. Upon demand by the ACR or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ACR has documented general cash control guidelines in the ICCM for departments with cash funds. However, each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

Scope of Audit

Our objective was to determine whether the cash handling controls practice were effective. Specifically, we determined whether:

- Cash assets were properly safeguarded.
- Cash deposits were made on a timely basis.
- Cash funds were managed in accordance with the County's Internal Control and Cash Manual.

We accomplished our objectives by performing the following audit procedures:

- We performed surprise cash counts of all the authorized cash funds and undeposited cash sales.
- We reviewed cash deposits for the period of July 1, 2006 through December 31, 2006.
- We interviewed Park personnel regarding cash fund management.
- We inquired of management regarding the communication of policies and procedures to the staff members.

A draft report was sent to the Department regarding the administration section on 09/11/08 and was discussed with management on 09/12/08. The department's responses to our recommendations are included in this report.

This report is a consolidation of all the Park reports issued to the individual locations audited.

Overall Conclusion

We have concluded that the cash handling controls at San Bernardino County Regional Park Administration Office need to be improved to better safeguard cash assets. The improvements needed were specifically related to:

- Overall cash control safeguards
- Management of authorized cash funds
- Supervisory oversight procedures

In addition, the Park is in compliance with the Internal Control and Cash Manual regarding the frequency of their cash deposits. However, due to the volume of the sales activities, cash deposits should be performed more than once a week.

Findings and Recommendations (by Park)

The specific policies, procedures, and practices that need improvement are discussed below.

Regional Park Administration Office

Audit Finding #1 Management of the Petty Cash Fund needs to be improved.

The County's Internal Control and Cash Manual (January 2008 version), Chapter 4, states cash funds should be reconciled at least once a month. Additionally, the reconciliations should be performed by someone other than the fund custodian and of a higher-ranking job code. Chapter 9, states all checks must display the words "Void six months from issue date" and that the employee doing the reconciliations should not have the authority to sign checks or deposit cash.

The following conditions were disclosed during our review:

- Reconciliations are not performed on a monthly basis nor are they being conducted by someone other than the fund custodian or authorized signer on the checking account.
- There is \$166.68 in funds that exceed the \$5,500 authorized petty cash fund.
- The checks do not display the words "Void six months from issue date". Auditor noted the fund has two checks outstanding dated August 26, 2004 and January 20, 2005.
- Segregation of duties needs improvement. Auditor noted the Administrative Supervisor has the authority to approve expenditures, is an authorized signer on the account and has the duty of performing / overseeing reconciliations.

Management is not enforcing the reconciliation and bank account guidelines stipulated in the Internal Control and Cash Manual amongst operating personnel.

Without effectively practicing the internal controls as stated in the Internal Controls and Cash Manual the risk of petty cash funds being misappropriated increases.

Recommendation

We recommend the administration office follow the petty cash fund and bank account guidelines listed in the Internal Control and Cash Manual. The administration office should assign a staff member who is not an authorized signer or fund custodian to perform reconciliations on a monthly basis. In addition, the phrase "Void six months from issue date" on the petty cash checks so they can automatically stale date and minimize the risk of misappropriation. The interest of \$166.68 earned on the bank account should be recorded as interest revenue and deposited accordingly. Furthermore, the department should cancel the two outstanding checks written in 2004 and 2005, and, if necessary, issue new checks to the payees.

Management's Response

Regional Parks currently has a staff member who is not the fund custodian nor an authorized signer on the account performing the reconciliations as the bank statements come in from the bank.

The interest of \$166.68 will be deposited into the Regional Parks general checking account to then be distributed as interest revenue.

The payees of the two outstanding checks had been contacted to get appropriate information to reissue the checks. The reissued checks have cleared the petty cash checking account.

The department is looking into acquiring a stamp with the words "void six months from issue date" to stamp onto each check as a petty cash check is needed.

Auditor's Response

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

Calico Ghost Town Regional Park

Audit Finding #1 Account receivable procedures need to be improved.

The County's Internal Control and Cash Manual, Chapter 14, states that account receivable duties must be segregated so that no one person has full control and an accounts receivable control ledger must be maintained for all receivables and must contain the balance due per account.

The account receivable procedures are not properly segregated between employees. Office assistants are allowed to receive checks in the post office, enter receipts into the register and prepare deposits. Due to the staff's lack of knowledge of account receivables policies and procedures, an account receivable ledger is not being maintained to indicate a balance due per account nor are they being reviewed by a supervisor. Additionally, employees have not received training or manuals on policies and procedures regarding the account receivable collection process or the Peachtree accounting system.

Without properly managing accounts receivables, the Park risks a loss in revenue.

Recommendation

Management should implement the use of an accounts receivable ledger per account that complies with Chapter 14 of the Internal Controls Cash Manual and ensure duties are segregated so that the person collecting the checks is not the same person posting the accounts receivable or preparing the deposit. The park also needs to implement written procedures that address the accounts receivable collection process and provide employees with such procedures and access to the Internal Controls Cash Manual for guidance.

Management's Response

There has been a ledger built to record checks received. There are two people present when cash handling is taking place. We have a policy and procedure manual for the office and we used the internal controls cash manual as our guidelines.

Auditor's Response

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

Audit Finding #2 Management of the Cash Funds needs to be improved.

The County's Internal Control and Cash Manual, Chapter 4, states cash funds should be reconciled at least once a month. Additionally, the reconciliations should be performed by someone other than the fund custodian and of a higher-ranking job code.

The following conditions were disclosed during our review:

- The \$5,000 festival change fund was only counted twice since fiscal year 06/07 began.
- The cash difference fund is not counted or reconciled by someone other than the fund custodian.
- The petty cash fund is not reconciled on a monthly basis.
- Per statements of park personnel the reconciliations that are performed are conducted by the custodian and signed off by a supervisor later.

The risk of misappropriation of cash assets increases if management does not properly manage cash funds by not performing independent reconciliations to ensure the fund is in tact or that transactions are properly recorded.

Recommendation

Management should perform monthly cash counts/reconciliations to minimize the risk of misappropriation.

Management's Response

The cash difference fund and the petty cash fund are counted weekly by the fund custodian or ranger II and supervisor and the change fund is counted every day by the fund custodian or ranger II. Regarding the \$5,000.00 festival change fund, \$3,000 was deposited into the bank account and the remainder was added to the change fund. Both I (Park Superintendent) and/or Mr. Weixel (Asst Park Superintendent) are counting the funds monthly and it's documented on an audit worksheet.

Auditor's Response

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

Moabi Regional Park

Audit Finding #1 Cash handling controls, as they relate to the staff performing their assigned job functions, were determined to be inadequate.

In order to have a strong internal control environment, management must establish and communicate the necessary policies and procedures so that personnel can effectively perform their job duties.

Our audit disclosed that the Park's operating personnel did not practice the appropriate controls when they were performing their respective job functions. The following internal control deficiencies were noted:

- The instruction materials used to specifically train the cashiers were outdated; the cash manual used for training was drafted in 2002.
- Cashiers did not restrictively endorse 2 checks received as payment for park activities
- Cashiers did not count their cash drawers in the presence of a supervisor at their end of their shifts.
- Cashiers were not properly completing their count slips (e.g., totaling the cash received).
- There was no key to lock the cash register drawer when the cashier was on break or lunch.

The cash control inadequacies resulted from management not maintaining a copy of the County's Internal Control and Cash Manual. Therefore, the staff neither has access to nor is aware of the appropriate controls to adhere to when performing their respective job functions.

Recommendation

To strengthen cash handling controls, we recommend that management maintain the current version of the County's Internal Control and Cash Manual at the Park's location. In doing this, management will then be able to conduct routine training to properly communicate the necessary policies and procedures to assist the Park's personnel in effectively performing their job duties.

Management's Response

- The instruction materials used to specifically train the cashiers were outdated; the cash manual used for training was drafted in 2002. Park management has taken the Internal Controls and Cash Manual class conducted by your office.

Park staff went through this class conducted by our Regional Park Admin on April 9, 2008. Sign in sheets are available upon request. The "Internal Controls and Cash Manual" is now available online. Since we are not on the county internet connection, we have printed the online manual for our records at the park and will update it periodically. We confirmed with you that there have not been any updates to this manual since January 2008.

- Cashiers were not restrictively endorse 2 checks received as payment for park activities.

It has always been Moabi's policy to stamp each check with the restrictive endorsement stamp before placing it in the cashier's cash register. Each register station has a restrictive endorsement stamp next to it. We safeguard our check endorsement process by verifying that all checks have the restrictive endorsement stamped prior to the bank deposit. We respectfully request the removal of this finding.

- Cashiers did not count their drawers in the presence of a supervisor at their end of their shifts.

We operate a 1,100 acre park with 1-2 supervisors per day. The supervisors are dealing with various situations throughout the day. Supervisors make every effort to be available at the end of each cashiers shift. At times it is not practical due to unforeseen circumstances. If this occurs, cashiers count, then seal the count slip envelope prior to dropping the partial. Cashiers log their drop on the back of the daily revenue sheet. The supervisor counts and verifies the envelope at a later time.

- Cashiers were not properly completing their count slips (e.g., totaling the cash received).

Based upon our phone conversation on 5/19/08, your reference to "count slips" referred to the "daily drop log" on the back of the daily report. We use that log to document the cashier deposits (drops) throughout the day. We define count slips as the drop envelope that has the cash denomination breakdown listed on it. At the time of this

audit, Cashiers totaled each "count slip envelope" and then logged the total of cash, checks and credit cards separately on the back of the daily revenue report. Prior to this audit, we kept these envelopes until the weekly revenue report was prepared and verified, and then we disposed of them. We are now stapling these "count slips" envelopes to each daily report after the money is verified and deposited. We respectfully request the removal of this finding.

- There was no key to lock the cash register drawer when the cashier was on break or lunch.
The keys have been available for use for several years. Cashiers are required to lock up their drawers when they are on break or lunch. However during this audit some cashiers were noticed not locking their drawers. We respectfully request the removal of this finding.

Auditor's Response

Management's responses addresses actions taken to correct the deficiencies noted in the audit finding. However, we have considered management's request to remove portions of this audit finding and concluded that the audit finding will remain as stated.

Audit Finding #2 The cash handling controls for safeguarding of the Change Fund were not adequate.

Strong cash handling controls must be practiced to effectively safeguard cash assets.

The Park was not in compliance with the Internal Control and Cash Manual when practicing cash handling controls for the safeguarding of the Change Fund. Several discrepancies were discovered, which included the following:

- The supervisors performing the close out procedures for the cashing systems failed to properly complete and sign-off on the Daily Revenue Report forms.
- The supervisors were not approving voided transactions at the time of occurrence.
- The Fund Custodian did not perform frequent cash counts for the Change Fund.
- The combination to the safe was not changed when staffing changes occurred.
- Supervisors were not accurately reconciling the total cash receipts being deposited with the total cash receipts indicated on the Z-Tape from the register.

The cause of these control inadequacies is the failure of the managerial staff establishing an internal control structure that clearly defines the proper cash handling procedures to effectively safeguard cash assets. Management has not implemented

and enforced any departmental policies and procedures as they relate to cash handling controls. If management does not establish and enforce the appropriate controls to effectively safeguard the Change Fund, then the Park's cash assets become more susceptible to theft, fraud, and embezzlement.

Recommendation

We recommend that management immediately establish, using the County's Internal Control and Cash Manual as a basis, the necessary cash handling controls to effectively safeguard the Park's Change Fund. Once these controls are placed in operation, management must continuously monitor these controls to ensure that they are being carried out as planned. The resulting benefit will be that the cash handling process will become more efficient and the risk of the misappropriation of cash assets will be significantly reduced.

Management's Response:

- The supervisors performing the close out procedures for the cashiering systems failed to properly complete and sign-off on the Daily Revenue Report forms.

Based upon our phone conversation, this referenced one daily report on 5/15/07, register 1, where a supervisor did not separate the cash, checks and credit cards on the front of the daily report (note it was separated out on the "daily count log" on the back of the form). Also referenced was on 5/15/07 Register 2, when a supervisor did not sign the daily report they completed. It is Moabi's policy for the cash/ checks / credit cards to be listed separately on the daily revenue report as well as when the cashiers log their drops. It is also the policy for staff to sign the "prepared by" on the daily revenue report when they complete the report.

- The supervisors were not approving voided transactions at the time of occurrence.

We work at a 1,100 acre park and it is not always possible to have the supervisor return to the office within a few minutes to complete a void. Most voids are transactions rung into the register in error, where no money was collected yet. For customer service, we ask that the cashier close out the transaction to be voided, write void on the receipt and radio for a supervisor to void the receipt. Then Re-ring the correct transaction so the customer does not have to wait. Based upon our phone conversation you made a reference that there could be the possibility of an employee ringing up a transaction, pocketing the money and not issuing a receipt to the customer. The following are precautions we already have in place: Our collection stations (gatehouse) have signs which state if a customer does not receive a receipt for paid admission today, please see the park superintendent at the park office or call 909 387-2340. Each vehicle in the park must have a receipt in their vehicle front window to verify payment. We have rangers that patrol and verify payment for all vehicles in the park. We also look at the register z tape

and make sure that all voids are accounted for. We respectfully request the removal of this finding.

- The Fund Custodian did not perform frequent cash counts for the Change Fund.

Tamara Perez, Fund Custodian counts this fund at least once per week. There was not a history documentation of the counts at the time of this audit (May 2007). There was however, an initialed calculator cash count slip in the bag with the cash. For several months now we have been using a count history verification form which documents the counts and reconciliations. Tamara Perez is the fund custodian and Michael Simendich, Park Superintendent counts this fund monthly.

- The combination to the safe was not changed when staffing changes occurred.

County Policy is to change the safe combination once/year or whenever an employee leaves who had the combination. Western Lock and Safe changed the combination in October 2007. They also changed the combination on May 20, 2008, because Dan Beasley just retired. We have requested records from our vendor to verify dates when the combination had been changed. We respectfully request the removal of this finding.

- Supervisors were not accurately reconciling the total cash receipts being deposited with the total cash receipts indicated on the Z-Tape from the register.

Prior to this audit we did not always explain all of the reconciled items on each individual daily revenue report; however, we did list and explain all reconcile items on the weekly summary report. We verify that all reconcile items are accounted for by comparing each line item with the weekly register z tapes. Moabi's weekly report spreadsheet has a section that compares each line item to the z tapes. We now are listing all reconciled information on the daily report as well as the weekly summary report.

Auditor's Response

Management's responses addresses actions taken to correct the deficiencies noted in the audit finding. We also suggested that management should assign a staff member with the responsibilities of voiding transactions on a given day. Nonetheless, we concluded that the audit finding will remain as stated.

Audit Finding #3 Deposits are not being performed in a timely manner.

In order to effectively safeguard cash assets and comply with guidelines of the County's Internal Control and Cash Manual, cash in excess of \$1,000 must be deposited by the next business day.

The Park was depositing the cash from the daily sales activity 3 times per week.

The Park scheduled the deposits to be transported, by the armored truck company, to the bank on a Monday, Friday, and Saturday because of the increased cost the Park would incur if these services were to be rendered on a daily basis. Maintaining large amounts of cash on the Park's premises significantly increases the risk of misappropriating cash assets. In addition, this demonstrates the lack of adequately safeguarding the cash generated from the Park's sales activities.

Recommendation

We recommend the Park should ensure that the cash generated from the daily sales activity is deposited by the next business day. Therefore, management should have the armored truck company transport the cash deposits on a daily basis. Implementing this function would serve to strengthen cash controls, while reducing the risk of theft as it relates to cash assets.

Management's Response

We have Loomis Transport pick ups 3X per week. Please note most of our revenue is in Credit cards. We have a pick up on Friday (deposit is for Monday-Thursday's cash revenue); Saturday (deposit is Friday's cash revenue); Monday (deposit is for Saturday and Sunday's cash revenue).

Auditor's Response

The average cash revenue generated during a week of operations warrants an increase of armored truck services to 5 times per week.

Audit Finding #4 Management is not adhering to the guidelines for properly managing the Petty Cash Fund.

The guidelines governing the proper use of authorized cash funds must be continuously practiced to prevent any form of mismanagement.

The department was not adhering to the guidelines governing the maintenance and reconciliation of the petty cash fund. The following conditions were noted:

- People other than the fund custodian disbursed petty cash funds.
- Reconciliations were not performed on a monthly basis by someone other than the fund custodian.
- Employees receiving cash advances were not signing the petty cash voucher.

Management is not aware of the petty cash fund controls outlined in the Internal Controls and Cash Manual. Therefore, management is not routinely practicing the controls that would decrease the risk of misappropriating the petty cash fund.

Without effectively practicing the internal controls as stated in the Internal Controls and Cash Manual the risk of petty cash funds being misappropriated significantly increases.

Recommendation

We recommend the park obtain a copy of the updated Internal Controls and Cash Manual (8/05) and follow the petty cash fund guidelines. Furthermore, the fund custodian needs to ensure that employees receiving cash advances are signing the petty cash voucher, the fund custodian should be approving the disbursement of petty cash funds, and reconciliations should be performed on a monthly basis by someone other than the fund custodian. Management would minimize the risk of misappropriation by continuously practicing and monitoring the cash management controls.

Management's Response:

- Reconciliations were not performed on a monthly basis by someone other than the fund custodian.

Prior to this audit Michael Simendich, Park Superintendent reconciled/counted this fund at least once per month. The counts did not have a history documentation at that time. There was however, an updated Petty cash log sheet included in with the cash on hand. This log documented cash on hand and the expenditures to date. For several months now we have been using a count history verification form which documents the counts and reconciliations. Tamara Perez is the fund custodian and Michael Simendich reconciles this fund monthly. We respectfully request the removal of this finding.

- Employees receiving cash advances were not signing the petty cash voucher.

Moabi's policy is that these vouchers are to be signed by the person who approved the cash advance disbursement and the person who received the cash advance disbursement. It was noted during this audit there was a couple of times when only one signature was on the voucher.

Auditor's Response

Management's responses addresses actions taken to correct the deficiencies noted in the audit finding. However, we have considered management's request to remove portions of this audit finding and concluded that the audit finding will remain as stated.

Audit Finding #5 The Park's management of the Cash Difference Fund needs to be improved.

The County's Internal Control and Cash Manual, Chapter 4, states cash funds must be reconciled at least once a month by someone other than the fund custodian who holds a higher-ranking job code.

Management did not perform monthly reconciliations of the Cash Difference Fund. Management is not aware of the general guidelines stipulated in the Internal Control and Cash Manual for effectively managing the Cash Difference Fund. The Cash Difference Fund will not serve its purpose if management continues to not adhere to the guidelines of the Internal Control and Cash Manual.

Recommendation

The Park Superintendent should reconcile the Cash Difference Fund at least once a month to ensure the cash funds are properly used by operating personnel.

Management's Response

Prior to this audit Michael Simendich, Park Superintendent reconciled/counted this fund at least once per month. There was not a history documentation of the counts at the time of this audit (May 2007). There was however, an updated Cash Differential log sheet, documenting cash on hand and when the cash differential fund was used and the reason why. For several months now we have been using a count history verification form which documents the counts and reconciliations. Tamara Perez is the fund custodian and Michael Simendich reconciles this fund monthly. We respectfully request the removal of this finding.

Auditor's Response

Management's responses addresses actions taken to correct the deficiencies noted in the audit finding. However, we have considered management's request to remove portions of this audit finding and concluded that the audit finding will remain as stated.

Prado Regional Park

Audit Finding #1 Cash handling controls for the Change Fund need to be improved.

The County's Internal Control and Cash Manual, Chapter 6, states that adequate controls must be practiced for both the cash receipting functions and voiding transactions.

The cashiers are allowed to use cashier register codes assigned to other cashiers to perform sales transactions. In addition, the supervisors frequently did not initial the voided receipts when approving voided transactions. Out of the 4 voided transactions reviewed, all 4 transactions did not have evidence of a supervisor's approval. The Park Superintendent did not always ensure supervisors are fully performing their duties of managing the Change Fund.

If management does not effectively maintain the security of the cashiering codes and ensures supervisors are properly approving voided transactions, the Park becomes more susceptible to cash misappropriations by operating personnel.

Recommendation

The park superintendent should ensure the cashiering codes of the operating personnel remain secure to prevent the improper use by other cashiers. Additionally, the Park Superintendent should ensure the supervisors properly approve voided transactions. Furthermore, the performance of these controls should be periodically monitored.

Management's Response

Currently, cashiers only use their assigned cashiering codes. It's not possible to secure cashiering codes from each other because their codes appear on the journal tape and on the receipts. Anyone can look at the journal tape to see who was just on the register. We do now require cashiers to initial their name on the journal tape when they go on break, lunch, or end their shift and also to sign back in when they return from their breaks, lunch, etc.

All rangers and supervisors are currently initialing all voided receipts.

Auditor's Response

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding. Due to the security limitations of the cashiering codes, the supervisors should review the register tape to ensure that an employee's code is not being used when the employee is either on break, lunch, or in the employee's absence.

Audit Finding #2 Management of both the Petty Cash Fund and Cash Difference Funds need to be improved.

The County's Internal Controls and Cash Manual, Chapter 4, states county departments must reconcile their cash funds at least once a month by someone other than the fund custodian to ensure transactions have been properly recorded. At the time the cash count took place Chapter 5, stated the Cash Difference Fund should be replenished when accumulated shortages reach \$25. The Auditor/Controller-Recorder's office issued a revision in January 2008 of the Internal Controls and Cash Manual, Chapter 5, which now states cash shortages resulting from cash handling errors must be reported and replenished as soon as the accumulated shortages reach 75% of the authorized amount or \$100, whichever is lower.

The following conditions were disclosed during our review:

- Supervisory approval was not documented on the petty cash vouchers.
- One expense was not issued or accompanied by a voucher.
- The park is not replenishing the cash difference fund as stated in the County's Internal Controls Cash Manual. The fund had been depleted to \$.11 prior to the fund custodian requesting replenishment on 04/25/2007.
- Reconciliations for both the Petty Cash and Cash Difference Fund were not being performed on a monthly basis or by someone other than the fund custodian prior to April 2007.

Management is not practicing nor enforcing the required guidelines as stated in the Internal Control and Cash Manual.

If petty cash fund expenditures are not being approved by a supervisor and reconciliations of all department cash funds are not being performed on a monthly basis by someone other than the fund custodian, the risk of misappropriations of cash assets increases.

Recommendation

Management should ensure the Petty Cash Fund is replenished when 75% of the authorized fund balance has been depleted and the Cash Difference Fund is replenished when accumulated shortages reach 75% of the authorized fund balance or \$100 whichever is lower. In addition management should ensure funds are reconciled on a monthly basis by someone other than the fund custodian, and disbursed according to the guidelines prescribed in the County's Internal Controls and Cash Manual.

Management's Response

The Petty Cash Fund is now being replenished when 75% of the authorized fund balance has been depleted. Additionally, the Superintendent is signing all petty cash vouchers. In reality, the Petty Cash Fund is rarely used. With Cal Cards and LV #'s, Petty Cash is seldom necessary.

The Cash Difference Fund is being replenished when we've depleted approximately \$100.00 of the \$200.00 fund.

The Funds are being reconciled at least monthly, if not more regularly, by the Superintendent and is documented on a Change Fund Verification Sheet that we keep in a binder.

Auditor's Response

Management's response addresses actions subsequently taken to correct the deficiencies noted in the audit finding.

Audit Finding #3 **Cash deposits were not made in a timely manner.**

At the time the cash count took place the County's Internal Controls and Cash Manual, Chapter 7, required cash deposits to be made at least weekly, however a revision to the manual in Chapter 3 was made in January 2008 which requires deposits to be made the next business day when the amount of receipts reaches \$1,000.

A review of cash deposits, which consisted of 5 weeks between July 1, 2006 and December 31, 2006, disclosed 7 exceptions in which cash deposits were not made within 7 days.

Management did not ensure operating personnel were providing the armored transport services with the cash deposits within one week from the week of sales activity.

Untimely cash deposits increases the risk of misappropriations of cash assets due to cash assets being in the possession of the park longer than necessary.

Recommendation

Management should ensure that the cash deposits are performed at a minimum within 7 days or daily when receipts reach \$1,000 as stated in the County's revised Internal Control and Cash Manual to minimize the risk of misappropriations.

Management's Response

The audit clerk works Monday thru Friday reconciling and preparing deposits. We average 4 days a week taking in \$1,000.00 or more in cash during the winter-spring and 5-6 days a week during the summer. We get Armored Transport on Tuesdays and Fridays and it would be costly to increase the number of pickups for our small department. In order to make a deposit every time we reach \$1,000.00 in receipts, we have to bring the money down to the bank, 7 miles away. In my opinion, it's not safe for any employee to be carrying cash like that to a bank. We need to increase the number of days we get picked up with no additional revenue, or more preferably, raise the deposit limit, since we are the busiest park.

Auditor's Response

The average cash revenue generated during a week of operations warrants an increase of armored truck services to 4 times per week. The total monthly cost to have services 4 times per week is \$2,030.65, which is \$24,387.80 per year. With the park generating yearly revenue of approximately \$1,339,500, the additional cost of armored truck services would only account for 1% of the yearly revenue.

Yucaipa Regional Park

Audit Finding #1 Safeguards for cash need to be improved.

The County's Internal Control and Cash Manual, Chapters 3 and 6, state cash assets should be locked in a file cabinet and out of public view and each cashier should be assigned a cash drawer key.

The cashiers did not have a key to lock the cash register while they were on either their breaks or lunches. Also, the office assistant did not keep cash received for reservations in a locked drawer and out of public view. Park Superintendent did not communicate or enforce the proper cash handling controls to operating personnel.

The Park becomes more susceptible to misappropriations related to cash without the enforcement of adequate safeguards.

Recommendation

The Park Superintendent should communicate, and enforce, the cash handling guidelines stipulated in the County Internal Controls and Cash Manual. Furthermore, the Park Superintendent should periodically monitor these controls to ensure they are being properly performed.

Management's Response

The Park has implemented some changes since the audit which we feel put the park in compliance. The park installed locking, anchored cash boxes and singular keys to secure funds for breaks and lunches.

Previously, cashiers secured money in register drawer with their unique sign-in code numbers on short breaks, and pulled and bagged their cashier drawers to be held in the office safe during lunches, via supervisor.

The office assistant would always finish the transaction on the reservation computer, or with the customer on the phone, then takes the check or credit card receipt to gate register where it was immediately rung up. On the date of the audit, she was seen with receipts on her desk while in the middle of a transaction.

Supervisors did communicate and enforce proper cash handling controls of operating personnel with information they had at that point in time.

Auditor's Response

In our inquiry with the office assistant, as well as our physical observation, the cash received for reservations was routinely placed on the office assistant's desk, within public view.

Audit Finding #2 **The supervisory controls related to the Change Fund need to be improved.**

The County's Internal Control and Cash Manual, Chapter 6, states that adequate controls must be practiced for both the cash receipting functions and voiding transactions.

The supervisors performing the close out procedures for the cashiering systems did not always properly complete and sign-off on the Daily Revenue Reports. In addition, the supervisors frequently did not initial the voided receipts when approving voided transactions. Out of the 14 voided transactions reviewed, only 6 had evidence of a supervisor's approval. The Park Superintendent did not always ensure supervisors are fully performing their duties of managing the Change Fund.

The lack of supervisors properly approving the Daily Revenue Reports and voided transactions allows the Park to become susceptible to cash misappropriations by operating personnel.

Recommendation

The Park Superintendent should ensure that supervisors properly complete and sign-off on the Daily Revenue Reports, and approve voided transactions; further the performance of these controls should be periodically monitored.

Management's Response

The Park has implemented some changes since the audit which we feel put the park in compliance. All void receipts and journal tapes are initialed by supervisor at the time the void is done.

Previously, Supervisors were under the impression that because only Supervisors have keys, and not cashiers, that all voids performed had Supervisory approval.

Daily revenue reports were / are not always fully completed and signed off before closing because of time constraints, emergencies, and the scope of operation for a facility of this size. However, all revenue reports are reviewed before being initialed and / or identified for completion next day. This does not appear to be in conflict with cash handling procedures, and reduces the cost of overtime. It is also necessary to review some daily transactions, which cannot always be done that evening.

Auditor's Response

Management's response addresses planned actions, as well as, actions taken to correct deficiencies noted in the finding.

Audit Finding #3 **Management of both the Petty Cash Fund and Cash Difference Funds need to be improved.**

The County's Internal Control and Cash Manual, Chapter 4, states cash funds reconciled on a monthly basis and vouchers are to be utilized for petty cash transactions.

The following conditions were disclosed during our review:

- Since the Petty Cash Vouchers were not used for either cash advances or reimbursements, there was no written documentation of supervisory approval or evidence that the employee received the funds.
- Individuals other than the fund custodian were allowed to disburse petty cash funds.
- Reconciliations for the cash funds were neither performed on a monthly basis nor by someone other than the fund custodian.

Management stated they were aware of the general guidelines in the Internal Control and Cash Manual, but had not enforced them.

Both the Petty Cash and Cash Difference Funds may not be able to serve the purposes for which they were established if they are not properly managed.

Recommendation

The Park Superintendent should ensure both the Petty Cash and Cash Difference Funds are reconciled at least monthly by someone of a higher ranking than the fund custodian and Petty Cash vouchers are utilized for all cash advances and reimbursements.

Management's Response

Carbon copy petty cash vouchers are now used. The original is kept in book and a copy attached to the receipt. The fund is now reconciled weekly.

Previously, the single sheet vouchers were used only when cash was dispersed before the purchase and then disposed of on reconciliation. However, employees (95% of time) used their cash out of pocket were then reimbursed later by a supervisor. Given the dynamics of 365 day a year park operations, full time staff had access / accountability in petty cash funds. Reconciliation of funds took place at least monthly as seen on our log sheet.

Auditor's Response

Management's response addresses planned actions, as well as, actions taken to correct deficiencies noted in the finding.

AudRpt/ Thomas A. Potter, Director
Regional Parks Department
August 14, 2008
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Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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